

QUARTERLY STATEMENT
OF THE
Preferred Health Partnership of Tennessee, Inc.

of
Knoxville
in the state of
Tennessee

TO THE
Insurance Department
OF THE STATE OF
Tennessee

FOR THE QUARTER ENDED
June 30, 2006

2006



QUARTERLY STATEMENT
AS OF June 30, 2006
OF THE CONDITION AND AFFAIRS OF THE
Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253 (Current Period)	1253 (Prior Period)	NAIC Company Code	95749	Employer's ID Number	62-1546662
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[] N/A[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Incorporated/Organized	01/01/1994		Commenced Business	01/01/1994		
Statutory Home Office	1420 Centerpoint Blvd. (Street and Number)		Knoxville , TN 37932 (City, or Town, State and Zip Code)			
Main Administrative Office			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Mail Address	1420 Centerpoint Blvd. (Street and Number or P.O. Box)		Knoxville, TN 37932 (City, or Town, State and Zip Code)			
Primary Location of Books and Records			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)670-7282 (Area Code) (Telephone Number)			
Internet Website Address						
Statutory Statement Contact	Melissa R Anderson (Name)		(865)670-7282 (Area Code)(Telephone Number)(Extension)			
	manders1@covhlth.com (E-Mail Address)		(865)470-7461 (Fax Number)			
Policyowner Relations Contact			1420 Centerpoint Blvd. (Street and Number)			
	Knoxville, TN 37932 (City, or Town, State and Zip Code)		(865)470-7470 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
Lance K. Hunsinger	President
Jeffery S. Collake	Chief Financial Officer
Jeffery S. Collake	Secretary

OTHERS

DIRECTORS OR TRUSTEES

Kenneth Truman Creed Michael McKay Dudley Randolph Murphree Lowry MD Cletus Joseph McMahon Jr. MD David A. Nowiski Anthony L. Spezia Sandra L. Mathy	Thomas Rowe Bell Daniel J. David MD Marvin H. Eichorn Kenneth Frederick Luckman MD Michael Earl Mitchell MD Francis H. Olmstead Jr. Dean M. Turner MD
--	---

State of Tennessee
County of Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Lance K. Hunsinger	Jeffery S. Collake	Jeffery S. Collake
(Printed Name)	(Printed Name)	(Printed Name)
President	Chief Financial Officer	Secretary
(Title)	(Title)	(Title)

Subscribed and sworn to before me this	a. Is this an original filing?	Yes[X] No[]
day of , 2006	b. If no,	
	1. State the amendment number	
	2. Date filed	
	3. Number of pages attached	

(Notary Public Signature)

ASSETS

		Current Statement Date			4
		1	2	3	
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	December 31, Prior Year Net Admitted Assets
1.	Bonds	58,845,475		58,845,475	56,091,973
2.	Stocks:				
2.1	Preferred stocks				
2.2	Common stocks				
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate:				
4.1	Properties occupied by the company (less \$..... encumbrances)				
4.2	Properties held for the production of income (less \$..... encumbrances)				
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$.....1,693,778), cash equivalents (\$.....) and short-term investments \$.....0)	1,693,778		1,693,778	1,798,632
6.	Contract loans (including \$..... premium notes)				
7.	Other invested assets				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	60,539,253		60,539,253	57,890,605
11.	Title plants less \$..... charged off (for Title insurers only)				
12.	Investment income due and accrued	770,587		770,587	846,216
13.	Premiums and considerations:				
13.1	Uncollected premiums and agents' balances in the course of collection				
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$..... earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers				
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans				
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset				
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software				
19.	Furniture and equipment, including health care delivery assets (\$.....)				
20.	Net adjustments in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates				253,701
22.	Health care (\$.....) and other amounts receivable				
23.	Aggregate write-ins for other than invested assets	30,258		30,258	37,510
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	61,340,098		61,340,098	59,028,032
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	TOTAL (Lines 24 and 25)	61,340,098		61,340,098	59,028,032
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	A/R Risk Share				
2302.	A/R State Admin	30,258		30,258	37,510
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	30,258		30,258	37,510

LIABILITIES, CAPITAL AND SURPLUS

		Current Period			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)				
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses				
4.	Aggregate health policy reserves	6,732,000		6,732,000	6,732,000
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserve				
7.	Aggregate health claim reserves				
8.	Premiums received in advance				
9.	General expenses due or accrued	6,582,644		6,582,644	5,246,539
10.1	Current federal and foreign income tax payable and interest thereon (including \$..... on realized gains (losses))				
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
15.	Amounts due to parent, subsidiaries and affiliates	2,190,717		2,190,717	215,985
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans				
21.	Aggregate write-ins for other liabilities (including \$..... current)	11,488,605		11,488,605	11,488,605
22.	Total liabilities (Lines 1 to 21)	26,993,966		26,993,966	23,683,129
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	1,000	1,000
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	61,379,848	61,379,848
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
29.	Unassigned funds (surplus)	X X X	X X X	(27,034,716)	(26,035,945)
30.	Less treasury stock, at cost:				
30.1	..... shares common (value included in Line 24 \$.....)	X X X	X X X		
30.2	..... shares preferred (value included in Line 25 \$.....)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	34,346,132	35,344,903
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	61,340,098	59,028,032
DETAILS OF WRITE-INS					
2101.	Accrued Run-Out Costs	11,488,605		11,488,605	11,488,605
2102.	Grier Decree Accrual				
2103.	Reserve for Transplants				
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	11,488,605		11,488,605	11,488,605
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year To Date		Prior Year To Date
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	644,938	782,848
2.	Net premium income (including \$..... non-health premium income)	X X X		
3.	Change in unearned premium reserves and reserves for rate credits	X X X		
4.	Fee-for-service (net of \$..... medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X	2	655,716
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	2	655,716
Hospital and Medical:				
9.	Hospital/medical benefits		2,367	
10.	Other professional services		(1,214)	(995,067)
11.	Outside referrals			
12.	Emergency room and out-of-area		39	
13.	Prescription drugs			
14.	Aggregate write-ins for other hospital and medical		(280,076)	(232,439)
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		(278,884)	(1,227,506)
Less:				
17.	Net reinsurance recoveries			
18.	Total hospital and medical (Lines 16 minus 17)		(278,884)	(1,227,506)
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....487,625 cost containment expenses		906,927	179,716
21.	General administrative expenses		2,217,184	463,497
22.	Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only)			
23.	Total underwriting deductions (Lines 18 through 22)		2,845,227	(584,293)
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	(2,845,225)	1,240,009
25.	Net investment income earned		1,200,970	1,071,125
26.	Net realized capital gains (losses) less capital gains tax of \$.....		17,074	81,804
27.	Net investment gains or (losses) (Lines 25 plus 26)		1,218,044	1,152,929
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
29.	Aggregate write-ins for other income or expenses			
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	(1,627,181)	2,392,938
31.	Federal and foreign income taxes incurred	X X X	(553,241)	
32.	Net income (loss) (Lines 30 minus 31)	X X X	(1,073,940)	2,392,938
DETAILS OF WRITE-INS				
0601.	Miscellaneous Income	X X X	2	655,716
0602.	.....	X X X		
0603.	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	2	655,716
0701.	.....	X X X		
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Lines 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	Recoveries		(280,076)	(232,439)
1402.	.....		
1403.	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		(280,076)	(232,439)
2901.	.....		
2902.	.....		
2903.	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Lines 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2	3
		Current Year To Date	Prior Year To Date	Prior Year
CAPITAL & SURPLUS ACCOUNT				
33.	Capital and surplus prior reporting year	35,344,903	26,260,630	26,260,630
34.	Net income or (loss) from Line 32	(1,073,940)	2,392,938	9,122,977
35.	Change in valuation basis of aggregate policy and claim reserves			
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....			
37.	Change in net unrealized foreign exchange capital gain or (loss)			
38.	Change in net deferred income tax			
39.	Change in nonadmitted assets	36,465		0
40.	Change in unauthorized reinsurance			
41.	Change in treasury stock			
42.	Change in surplus notes			
43.	Cumulative effect of changes in accounting principles			
44.	Capital Changes:			
44.1	Paid in			
44.2	Transferred from surplus (Stock Dividend)			
44.3	Transferred to surplus			
45.	Surplus adjustments:			
45.1	Paid in			
45.2	Transferred to capital (Stock Dividend)			
45.3	Transferred from capital			
46.	Dividends to stockholders			
47.	Aggregate write-ins for gains or (losses) in surplus	38,703		(38,703)
48.	Net change in capital and surplus (Lines 34 to 47)	(998,772)	2,392,938	9,084,273
49.	Capital and surplus end of reporting period (Line 33 plus 48)	34,346,131	28,653,568	35,344,903
DETAILS OF WRITE-INS				
4701.	Change in Unrealized Valuation	38,703		(38,703)
4702.	.....		
4703.	.....		
4798.	Summary of remaining write-ins for Line 47 from overflow page			
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)	38,703		(38,703)

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	318,288	644,938	1,498,890
REVENUES:			
1. TennCare Capitation	43,561,439	86,074,213	211,259,842
2. Investment	614,189	1,223,949	2,322,500
3. Other Revenue	1	2	655,716
State Admin Revenue	0	0	4,167,015
IBNR / Capitation Revenue Receivable	(320,174)	28,766,181	31,396,233
Premium Tax	882,771	847,726	3,206,410
4. TOTAL REVENUES (Lines 1 to 3)	44,738,226	116,912,071	253,007,716
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	1,082,369
6. Fee-For-Service Physician Services	4,220,474	12,214,162	23,650,807
7. Inpatient Hospital Services	24,267,421	65,920,904	141,358,665
8. Outpatient Services	15,572	31,152	68,002
9. Emergency Room Services	2,852,680	7,340,423	12,722,130
10. Mental Health Services	8,639	12,723	78,931
11. Dental Services (Capitated & FFS)	1,379	1,532	3,471
12. Vision Services (Capitated , FFS & Opthamology)	187,575	371,999	879,021
13. Pharmacy Services (Capitated & FFS)	0	(4,267)	(118,232)
14. Home Health Services	101,972	197,048	401,652
15. Chiropractic Services	0	0	0
16. Radiology Services	74,374	160,412	180,221
17. Laboratory Services	5,499,321	14,892,305	32,643,097
18. Durable Medical Equipment Services	1,482,006	3,998,601	8,520,223
19. Transportation Services (Capitated)	1,011,404	2,097,015	4,817,145
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,698,883	3,316,110	7,636,968
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	389,849	783,100	1,494,984
Anesthesiology - FFS Hosp & Other	691,753	1,399,641	3,464,740
Gastroenterology	9,569	16,179	68,053
Preventive Medicine	823,983	1,523,108	3,362,278
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	33,157	50,444	136,318
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	43,370,011	114,322,591	242,450,843
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	86,861	212,349	741,975
27a Recoveries	147,028	428,189	1,868,340
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	233,889	640,538	2,610,315
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	43,136,122	113,682,053	239,840,528

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration: 31. Compensation (Including Allocated Costs) 2,076,692 32. Marketing (Including Allocated Costs) 520 33. Premium Tax Expense 954,554 34. Occupancy, Depreciation and Amortization (Including Allocated Costs) 172,434 35. Other Administration (Provide detail) 0 Printing 32,000 Rent/Utilities 0 Franchise, Excise & Property Taxes 0 Postage 67,643 Legal Fees 3,020 Liquidated Damages 4,200 Outside Services 103,578 Board & Committee Fees 0 Auditing, actuarial and other consulting services 0 Books & Subscriptions 984 Dues, Fees & Licenses 3,894 Education & Seminars 199 Meals & Entertainment 561 Office Supplies 650 Minor Equipment 0 Travel 38 Wellness Program 0 Leases & Rentals of equipment 0 Repairs/Maintenance Agreements 43,444 Telephone/Beepers/Cellular Phones 0 Temp/Contract Personnel 48,135 Provision for Loss Contracts 0 Risk Banding Reserve 0 Program Run Out Expense 0 State Admin (3,434,724) Miscellaneous Expense 182,367 Total DIRECT Expenses 260,189			9,538,794 3,106 4,662,829 720,997 66,052 0 0 249,715 46,540 600,000 469,798 0 0 3,038 971 0 397 1,533 0 0 0 52,851 0 0 0 0 (14,292,822) (6,303,469) (4,127,098)
Other ALLOCATED Expenses (Provide detail) Rent/Utilities 110,167 Printing 9,811 Postage 63,019 Legal Fees 78,921 Outside Services 682,655 Board & Committee Fees 24,478 Survey Fees 21,605 Telephone/Beepers/Cellular Phones 58,297 Books & Subscriptions 8,703 Minor Equipment 2,367 Computer Supplies 0 Dues, Fees & Licenses (46,966) Education & Seminars 6,910 Meals & Entertainment 4,788 Office Supplies 25,756 Travel 24,039 Miscellaneous Expense 41,339 Franchise, Excise & Property Taxes & Sales/Use Tax 43,631 Insurance 74,386 Leases & Rentals of equipment 18,745 Repairs/Maintenance Agreements (8,352) Relocation Expense Total 0 Training and Orientation Total 0 Temp/Contract Personnel 55,317 Covenant Management Fees 474,250 Total ALLOCATED Expenses 1,773,866			623,199 67,025 274,158 142,550 2,364,908 95,293 29,158 210,955 97,744 141,998 0 134,119 71,989 27,882 92,808 74,266 170,522 84,085 422,230 98,157 630,515 2,130 0 404,890 2,160,152 8,420,733
36. TOTAL ADMINISTRATION (Lines 31 to 36)	2,034,055	4,857,200	4,293,635
FIT & Excise Tax (146,864)	(146,864)	(553,242)	(249,424)
37. Total Other Expenses:	(146,864)	(553,242)	(249,424)
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	45,023,313	117,986,011	243,884,739
39. NET INCOME (LOSS) (Line 4 less Line 38)	(285,087)	(1,073,940)	9,122,977

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	318,288	644,938	1,498,890
REVENUES:			
1. TennCare Capitation	43,561,439	86,074,213	211,259,842
2. Investment	2,898	5,905	13,493
3. Other Revenue			
IBNR / Capitation Revenue Receivable	(320,174)	28,766,181	31,396,233
Premium Tax	882,771	847,726	3,206,410
4. TOTAL REVENUES (Lines 1 to 3)	44,126,934	115,694,024	245,875,979
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	1,082,369
6. Fee-For-Service Physician Services	4,220,258	12,212,557	23,650,807
7. Inpatient Hospital Services	24,267,421	65,920,242	142,355,810
8. Outpatient Services	15,572	31,152	68,002
9. Emergency Room Services	2,852,680	7,340,384	12,722,130
10. Mental Health Services	8,638	12,723	78,931
11. Dental Services (Capitated & FFS)	1,378	1,532	3,471
12. Vision Services (Capitated , FFS & Opthamology)	187,576	371,999	879,021
13. Pharmacy Services (Capitated & FFS)	0	(4,267)	(10,448)
14. Home Health Services	101,972	197,048	401,652
15. Chiropractic Services	0		
16. Radiology Services	74,374	160,412	180,221
17. Laboratory Services	5,499,321	14,892,204	32,643,097
18. Durable Medical Equipment Services	1,482,006	3,998,601	8,520,223
19. Transportation Services (Capitated)	1,011,404	2,097,015	4,817,145
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,698,883	3,317,618	7,636,968
Counselors/Therapists	0		
Otolaryngology - FFS Office	389,849	783,100	1,494,984
Anesthesiology - FFS Hosp & Other	691,753	1,399,641	3,464,740
Gastroenterology	9,569	16,179	68,053
Preventive Medicine	823,983	1,522,815	3,362,278
Ped Emergency Medicine - FFS Hospital	0		
Miscellaneous	33,157	50,444	136,318
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	43,369,795	114,321,399	243,555,774
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	86,860	212,349	741,975
27a Recoveries	38,771	148,113	1,231,453
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	125,632	360,461	1,973,427
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	43,244,163	113,960,938	241,582,346

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	0	0	0
32. Marketing (Including Allocated Costs)	0	0	0
33. Premium Tax Expense	882,771	1,733,087	4,293,632
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	0	0	0
35. Other Administration (Provide detail)			
Printing	0	0	0
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Liquidated Damages	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Minor Equipment	0	0	0
Travel	0	0	0
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	0	0	0
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	0
Program Run Out Expense	0	0	0
Miscellaneous Expense	0	0	0
Total DIRECT Expenses	882,771	1,733,087	4,293,632
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	0	0	0
Printing	0	0	0
Postage	0	0	0
Legal Fees	0	0	0
Outside Services	0	0	0
Board & Committee Fees	0	0	0
Survey Fees	0	0	0
Telephone/Beepers/Cellular Phones	0	0	0
Books & Subscriptions	0	0	0
Minor Equipment	0	0	0
Computer Supplies	0	0	0
Dues, Fees & Licenses	0	0	0
Education & Seminars	0	0	0
Meals & Entertainment	0	0	0
Office Supplies	0	0	0
Travel	0	0	0
Miscellaneous Expense	0	0	0
Franchise, Excise & Property Taxes & Sales/Use Tax	0	0	0
Insurance	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	0	0
Relocation Expense Total	0	0	0
Training and Orientation Total	0	0	0
Temp/Contract Personnel	0	0	0
Covenant Management Fees	0	0	0
Total ALLOCATED Expenses	0	0	0
36. TOTAL ADMINISTRATION (Lines 31 to 36)	882,771	1,733,087	4,293,632
FIT & Excise Tax	0	0	0
37. Total Other Expenses:	0	0	0
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	44,126,934	115,694,024	245,875,979
39. NET INCOME (LOSS) (Line 4 less Line 38)	0	0	0

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	0	0	0
REVENUES:			
1. TennCare Capitation	0	0	0
2. Investment	611,290	1,218,044	2,309,007
3. Other Revenue	1	2	655,716
State Admin Revenue	0	0	4,167,015
4. TOTAL REVENUES (Lines 1 to 3)	611,291	1,218,046	7,131,738
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	0
6. Fee-For-Service Physician Services	216	1,605	0
7. Inpatient Hospital Services	0	662	(997,145)
8. Outpatient Services	0	0	0
9. Emergency Room Services	0	39	0
10. Mental Health Services	0	0	0
11. Dental Services (Capitated & FFS)	0	0	0
12. Vision Services (Capitated , FFS & Opthamology)	0	0	0
13. Pharmacy Services (Capitated & FFS)	0	0	(107,784)
14. Home Health Services	0	0	0
15. Chiropractic Services	0	0	0
16. Radiology Services	0	0	0
17. Laboratory Services	0	101	0
18. Durable Medical Equipment Services	0	0	0
19. Transportation Services (Capitated)	0	0	0
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	0	(1,508)	0
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	0	0	0
Anesthesiology - FFS Hosp & Other	0	0	0
Gastroenterology	0	0	0
Preventive Medicine	0	293	0
Ped Emergency Medicine - FFS Hospital	0	0	0
IBNR	0	0	0
Risk Share	0	0	0
24. Subtotal (Lines 5 to 23)	216	1,192	(1,104,929)
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	0	0	0
27a Recoveries	108,256	280,076	636,887
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	108,256	280,076	636,887
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	(108,040)	(278,884)	(1,741,816)

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	2,076,692	4,225,564	9,538,794
32. Marketing (Including Allocated Costs)	520	1,353	3,106
33. Premium Tax Expense	71,783	145,565	369,197
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	172,433	341,126	720,997
35. Other Administration (Provide detail)			
Printing	32,000	56,831	66,052
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	67,643	133,234	249,715
Legal Fees	3,020	11,944	46,540
Liquidated Damages	4,200	4,200	600,000
Outside Services	103,578	198,574	469,798
Board & Committee Fees	0	0	
Auditing, actuarial and other consulting services	0	0	
Books & Subscriptions	984	984	3,038
Dues, Fees & Licenses	3,894	58,729	971
Education & Seminars	199	199	0
Meals & Entertainment	561	783	397
Office Supplies	650	1,397	1,533
Minor Equipment	0	0	
Travel	38	79	99
Wellness Program	0	0	
Leases & Rentals of equipment	0	0	
Repairs/Maintenance Agreements	43,444	43,444	52,851
Telephone/Beepers/Cellular Phones	0	0	0
Temp/Contract Personnel	48,135	94,787	52,473
Provision for Loss Contracts	0		
Risk Banding Reserve	0		
Program Run Out Expense	0		
State Admin Revenue	(3,434,723)	(6,562,545)	(14,292,822)
Miscellaneous Expense	182,369	430,501	(6,303,471)
Total DIRECT Expenses	(622,580)	(813,251)	(8,420,732)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	110,166	229,074	623,199
Printing	9,810	34,222	67,025
Postage	63,018	174,301	274,158
Legal Fees	78,921	158,069	142,550
Outside Services	682,655	1,220,304	2,364,908
Board & Committee Fees	24,477	48,445	95,293
Survey Fees	21,605	62,710	29,158
Telephone/Beepers/Cellular Phones	58,297	145,265	210,955
Books & Subscriptions	8,703	19,511	97,744
Minor Equipment	2,367	7,239	141,998
Computer Supplies	0	0	0
Dues, Fees & Licenses	(46,967)	126,366	134,119
Education & Seminars	6,911	18,123	71,989
Meals & Entertainment	4,787	9,980	27,882
Office Supplies	25,756	51,603	92,808
Travel	24,039	36,464	74,266
Miscellaneous Expense	41,340	77,175	170,522
Franchise, Excise & Property Taxes & Sales/Use Tax	43,631	85,618	84,085
Insurance	74,387	149,041	422,230
Leases & Rentals of equipment	18,745	33,838	98,157
Repairs/Maintenance Agreements	(8,352)	183,779	630,515
Relocation Expense Total	0	0	2,130
Training and Orientation Total	0	0	0
Temp/Contract Personnel	55,317	117,740	404,890
Covenant Management Fees	474,249	948,499	2,160,152
Total ALLOCATED Expenses	1,773,861	3,937,362	8,420,733
36. TOTAL ADMINISTRATION (Lines 31 to 36)	1,151,282	3,124,111	1
FIT & Excise Tax	(146,864)	(553,242)	(249,424)
37. Total Other Expenses:	(146,864)	(553,242)	(249,424)
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	896,378	2,291,986	(1,991,239)
39. NET INCOME (LOSS) (Line 4 less Line 38)	(285,087)	(1,073,940)	9,122,977

CASH FLOW

		1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations			
1.	Premiums collected net of reinsurance		
2.	Net investment income	1,464,292	2,663,701
3.	Miscellaneous income	2	4,822,730
4.	Total (Lines 1 through 3)	1,464,294	7,486,431
5.	Benefit and loss related payments	(278,884)	3,352,825
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	(1,000,920)	4,442,703
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$..... net of tax on capital gains (losses)		
10.	Total (Lines 5 through 9)	(1,279,804)	7,795,528
11.	Net cash from operations (Line 4 minus Line 10)	2,744,098	(309,097)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	10,548,938	17,600,252
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments	25,950	(3,259)
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	10,574,888	17,596,993
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	13,423,840	15,530,259
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	13,423,840	15,530,259
14.	Net increase (or decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Lines 13.7 and 14)	(2,848,952)	2,066,734
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)		
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(104,854)	1,757,637
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	1,798,632	40,995
19.2	End of period (Line 18 plus Line 19.1)	1,693,778	1,798,632

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

Description		Amount 1	Amount 2
20.0001		

EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
Total Members at end of:													
1. Prior Year	117,734								117,734				
2. First Quarter	106,778								106,778				
3. Second Quarter	106,552								106,552				
4. Third Quarter													
5. Current Year													
6. Current Year Member Months	644,938								644,938				
Total Member Ambulatory Encounters for Period:													
7. Physician	427,201								427,201				
8. Non-Physician	238,955								238,955				
9. Total	666,156								666,156				
10. Hospital Patient Days Incurred	15,757								15,757				
11. Number of Inpatient Admissions	4,383								4,383				
12. Health Premiums Written													
13. Life Premiums Direct													
14. Property/Casualty Premiums Written													
15. Health Premiums Earned													
16. Property/Casualty Premiums Earned													
17. Amount Paid for Provision of Health Care Services	(278,884)								(278,884)				
18. Amount Incurred for Provision of Health Care Services	(278,884)								(278,884)				

CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims						
1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 days	6 Over 120 Days	7 Total
<div>NONE</div>						
0899999 Accrued Medical Incentive Pool And Bonus Amounts

UNDERWRITING AND INVESTMENT EXHIBIT

ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business		Claims Paid Year to Date		Liability End of Current Quarter		5	6
		1	2	3	4	Claims Incurred in Prior Years (Columns 1+3)	Estimated Claim Reserve and Claim Liability Dec.31 of Prior Year
		On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid Dec.31 of Prior Year	On Claims Incurred During the Year		
1.	Comprehensive (hospital & medical)						
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan						
6.	Title XVIII - Medicare						
7.	Title XIX - Medicaid	(278,884)				(278,884)	
8.	Other health						
9.	Health subtotal (Lines 1 to 8)	(278,884)				(278,884)	
10.	Healthcare receivables (a)						
11.	Other non-health						
12.	Medical incentive pools and bonus amounts						
13.	TOTALS	(278,884)				(278,884)	

(a) Excludes \$...... loans or advances to providers not yet expensed.

Notes to Financial Statement

No significant changes or events have occurred since the most recent annual statement was filed.

17C. Wash Sales
Not applicable

GENERAL INTERROGATORIES

(Responses to these interrogatories should be based on changes that have occurred since the prior year end unless otherwise noted)

PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes[] No[X]
- 1.2 If yes, has the report been filed with the domiciliary state?

Yes[] No[] N/A[X]
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:

.....
3. Have there been any substantial changes in the organizational chart since the prior quarter end?
If yes, complete the Schedule Y - Part 1 - organizational chart.

Yes[] No[X]
- 4.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 4.2 If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....

5. If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?
If yes, attach an explanation.

Yes[] No[] N/A[X]
- 6.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

.....12/31/2000.....
- 6.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

.....12/31/2000.....
- 6.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

.....12/12/2002.....
- 6.4 By what department or departments?
Tennessee Department of Commerce & Insurance - TennCare Division
- 7.1 Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[] No[X]
- 7.2 If yes, give full information
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
..... Yes[] No[X] .	. Yes[] No[X] .	. Yes[] No[X] .	. Yes[] No[X] .	. Yes[] No[X] .

FINANCIAL

- 9.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[] No[X]
- 9.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$.....

INVESTMENT

- 10.1 Has there been any change in the reporting entity's own preferred or common stock?

Yes[] No[X]
- 10.2 If yes, explain:
- 11.1 Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.)

Yes[] No[X]
- 11.2 If yes, give full and complete information relating thereto:
12. Amount of real estate and mortgages held in other invested assets in Schedule BA:

\$.....
13. Amount of real estate and mortgages held in short-term investments:

\$.....
- 14.1 Does the reporting entity have any investments in parent, subsidiaries and affiliates?

Yes[] No[X]
- 14.2 If yes, please complete the following:

GENERAL INTERROGATORIES (Continued)

		1	2
		Prior Year-End Book/Adjusted Carrying Value	Current Quarter Statement Value
14.21	Bonds		
14.22	Preferred Stock		
14.23	Common Stock		
14.24	Short-Term Investments		
14.25	Mortgages Loans on Real Estate		
14.26	All Other		
14.27	Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26)		
14.28	Total Investment in Parent included in Lines 14.21 to 14.26 above		

15.1 Has the reporting entity entered into any hedging transactions reported on Schedule DB?

15.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[X]
Yes[] No[] N/A[X]

16. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV. H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

Yes[X] No[]

1	2
Name of Custodian(s)	Custodian Address
The Northern Trust Company	50 LaSalle Street, Chicago, IL 60675
First Tennessee Bank	Box 84 Safekeeping M-Level, Memphis, TN 38101

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)
.....

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter?

16.4 If yes, give full and complete information relating thereto:

Yes[] No[X]

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason
.....

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository	Name(s)	Address
108718	Martin and Company	Two Centre Square, St 200
.....	.....	625 S. Gay St, Knoxville, TN 37902-1669

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

17.2 If no, list exceptions:

Yes[X] No[]

Real Estate		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year .....	.....	.....
2.	Increase (decrease) by adjustment .....	.....	.....
3.	Cost of acquired .....	.....	.....
4.	Cost of additions to and permanent improvements .....	.....	.....
5.	Total profit (loss) on sales .....	.....	.....
6.	Increase (decrease) by foreign exchange adjustment .....	.....	.....
7.	Amount received on sales .....	.....	.....
8.	Book/adjusted carrying value at end of current period .....	.....	.....
9.	Total valuation allowance .....	.....	.....
10.	Subtotal (Lines 8 plus 9) .....	.....	.....
11.	Total nonadmitted amounts .....	.....	.....
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column) .....	.....	.....

SCHEDULE B - VERIFICATION

Mortgage Loans

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year ....	.....	.....
2.	Amount loaned during period:	.....	.....
2.1	Actual cost at time of acquisitions .....	.....	.....
2.2	Additional investment made after acquisitions .....	.....	.....
3.	Accrual of discount and mortgage interest points and commitment fees .....	.....	.....
4.	Increase (decrease) by adjustment .....	.....	.....
5.	Total profit (loss) on sale .....	.....	.....
6.	Amounts paid on account or in full during the period .....	.....	.....
7.	Amortization of premium .....	.....	.....
8.	Increase (decrease) by foreign exchange adjustment .....	.....	.....
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period .....	.....	.....
10.	Total valuation allowance .....	.....	.....
11.	Subtotal (Lines 9 plus 10) .....	.....	.....
12.	Total nonadmitted amounts .....	.....	.....
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column) .....	.....	.....

SCHEDULE BA - VERIFICATION

Other Invested Assets

		1	2
Description		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year .....	.....	.....
2.	Cost of acquisitions during period:	.....	.....
2.1	Actual cost at time of acquisitions .....	.....	.....
2.2	Additional investment made after acquisitions .....	.....	.....
3.	Accrual of discount .....	.....	.....
4.	Increase (decrease) by adjustment .....	.....	.....
5.	Total profit (loss) on sale .....	.....	.....
6.	Amounts paid on account or in full during the period .....	.....	.....
7.	Amortization of premium .....	.....	.....
8.	Increase (decrease) by foreign exchange adjustment .....	.....	.....
9.	Book/adjusted carrying value of long-term invested assets at end of current period .....	.....	.....
10.	Total valuation allowance .....	.....	.....
11.	Subtotal (Lines 9 plus 10) .....	.....	.....
12.	Total nonadmitted amounts .....	.....	.....
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3) .....	.....	.....

SCHEDULE D - VERIFICATION

Bonds and Stocks

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value of bonds and stocks, December 31 of prior year	56,091,973	58,499,929
2.	Cost of bonds and stocks acquired	13,423,840	15,530,259
3.	Accrual of discount	28,178	47,654
4.	Increase (decrease) by adjustment	38,704	(38,704)
5.	Increase (decrease) by foreign exchange adjustment .....	.....	.....
6.	Total profit (loss) on disposal	(8,876)	47,718
7.	Consideration for bonds and stocks disposed of	10,548,938	17,600,252
8.	Amortization of premium	179,406	394,631
9.	Book/adjusted carrying value, current period	58,845,475	56,091,973
10.	Total valuation allowance .....	.....	.....
11.	Subtotal (Lines 9 plus 10)	58,845,475	56,091,973
12.	Total nonadmitted amounts .....	.....	.....
13.	Statement value	58,845,475	56,091,973

SCHEDULE D - PART 1B
Showing the Acquisitions, Dispositions and Non-Trading Activity
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

	1	2	3	4	5	6	7	8
	Book/Adjusted Carrying Value Beginning of Current Quarter	Acquisitions During Current Quarter	Dispositions During Current Quarter	Non-Trading Activity During Current Quarter	Book/Adjusted Carrying Value End of First Quarter	Book/Adjusted Carrying Value End of Second Quarter	Book/Adjusted Carrying Value End of Third Quarter	Book/Adjusted Carrying Value December 31 Prior Year
BONDS								
1. Class 1	57,106,248	27,550,920	27,342,188	(25,185)	57,106,248	57,289,794		55,517,819
2. Class 2	648,703	910,800		163	648,703	1,559,666		1,453,243
3. Class 3	673,244		701,750	24,520	673,244	(3,986)		677,229
4. Class 4								
5. Class 5								
6. Class 6								
7. TOTAL Bonds	58,428,195	28,461,720	28,043,938	(502)	58,428,195	58,845,475		57,648,291
PREFERRED STOCK								
8. Class 1								
9. Class 2								
10. Class 3								
11. Class 4								
12. Class 5								
13. Class 6								
14. TOTAL Preferred Stock								
15. TOTAL Bonds & Preferred Stock	58,428,195	28,461,720	28,043,938	(502)	58,428,195	58,845,475		57,648,291

SCHEDULE DA - PART 1

Short - Term Investments Owned End of Current Quarter

	1	2	3	4	5
	Book/Adjusted Carrying Value		Actual Cost	Interest Collected Year To Date	Paid for Accrued Interest Year To Date
8299999. TOTALS	N O N E			.....

SCHEDULE DA - PART 2 - Verification

Short-Term Investments Owned

		1	2
		Year To Date	Prior Year Ended December 31
1.	Book/adjusted carrying value, December 31 of prior year	1,556,318	.....
2.	Cost of short-term investments acquired .....	.....	7,277,458
3.	Increase (decrease) by adjustment	(6,318)	(62,058)
4.	Increase (decrease) by foreign exchange adjustment .....	.....	.....
5.	Total profit (loss) on disposal of short-term investments .....	.....	(3,259)
6.	Consideration received on disposal of short-term investments	1,550,000	5,655,823
7.	Book/adjusted carrying value, current period	0	1,556,318
8.	Total valuation allowance .....	.....	.....
9.	Subtotals (Lines 7 plus 8)	0	1,556,318
10.	Total nonadmitted amounts .....	.....	.....
11.	Statement value (Lines 9 minus 10)	0	1,556,318
12.	Income collected during period	24,043	34,025
13.	Income earned during period	45,238	50,624

15 Schedule DB Part F Section 1 NONE

16 Schedule DB Part F Section 2 NONE

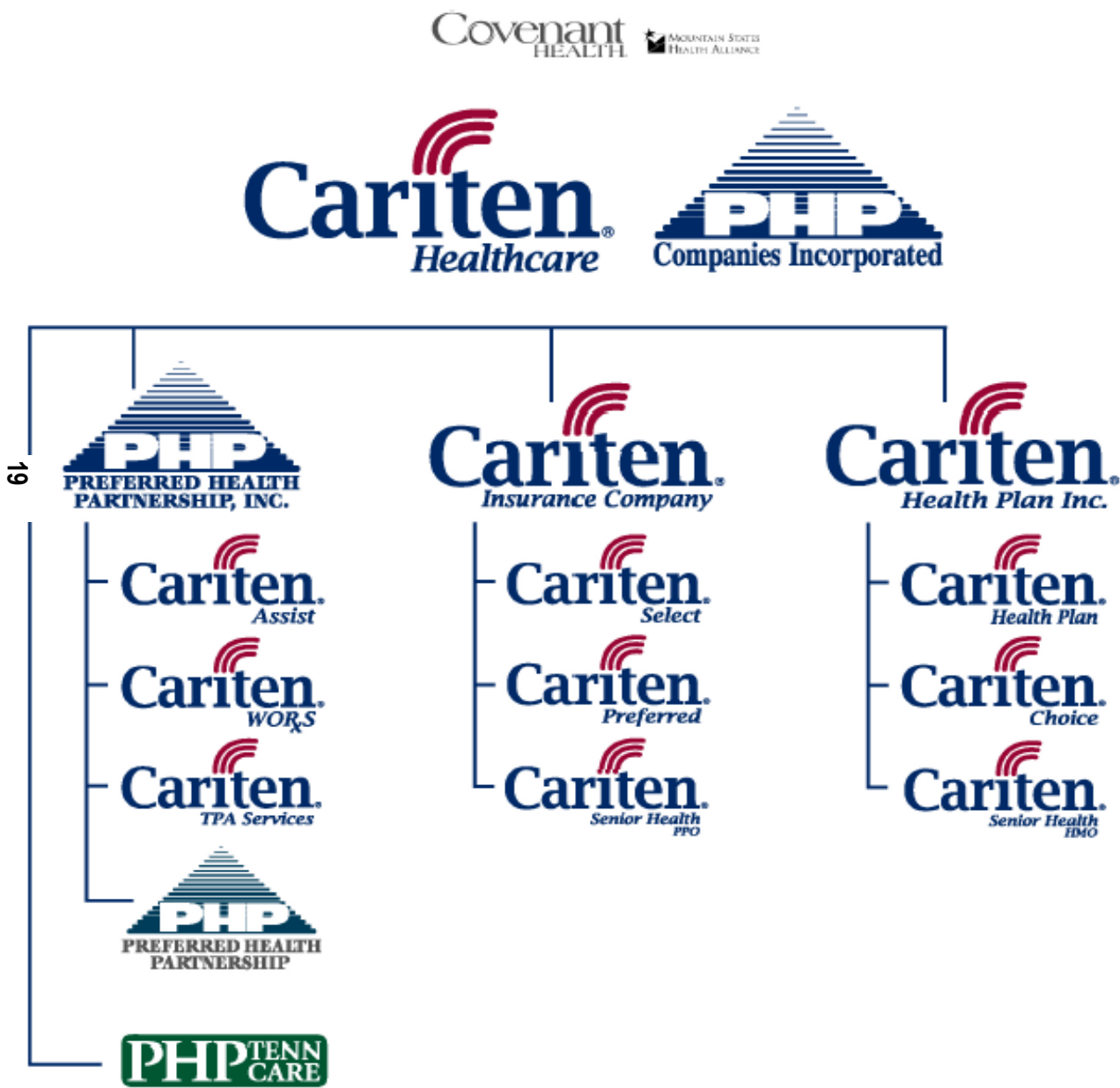
17 Schedule S Ceded Reinsurance NONE

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
Allocated by States and Territories

		1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed (Yes or No)	Direct Business Only Year-to-Date					
				3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/ Casualty Premiums
State, Etc.									
1.	Alabama (AL)	No	No						
2.	Alaska (AK)	No	No						
3.	Arizona (AZ)	No	No						
4.	Arkansas (AR)	No	No						
5.	California (CA)	No	No						
6.	Colorado (CO)	No	No						
7.	Connecticut (CT)	No	No						
8.	Delaware (DE)	No	No						
9.	District of Columbia (DC)	No	No						
10.	Florida (FL)	No	No						
11.	Georgia (GA)	No	No						
12.	Hawaii (HI)	No	No						
13.	Idaho (ID)	No	No						
14.	Illinois (IL)	No	No						
15.	Indiana (IN)	No	No						
16.	Iowa (IA)	No	No						
17.	Kansas (KS)	No	No						
18.	Kentucky (KY)	No	No						
19.	Louisiana (LA)	No	No						
20.	Maine (ME)	No	No						
21.	Maryland (MD)	No	No						
22.	Massachusetts (MA)	No	No						
23.	Michigan (MI)	No	No						
24.	Minnesota (MN)	No	No						
25.	Mississippi (MS)	No	No						
26.	Missouri (MO)	No	No						
27.	Montana (MT)	No	No						
28.	Nebraska (NE)	No	No						
29.	Nevada (NV)	No	No						
30.	New Hampshire (NH)	No	No						
31.	New Jersey (NJ)	No	No						
32.	New Mexico (NM)	No	No						
33.	New York (NY)	No	No						
34.	North Carolina (NC)	No	No						
35.	North Dakota (ND)	No	No						
36.	Ohio (OH)	No	No						
37.	Oklahoma (OK)	No	No						
38.	Oregon (OR)	No	No						
39.	Pennsylvania (PA)	No	No						
40.	Rhode Island (RI)	No	No						
41.	South Carolina (SC)	No	No						
42.	South Dakota (SD)	No	No						
43.	Tennessee (TN)	No	Yes						
44.	Texas (TX)	No	No						
45.	Utah (UT)	No	No						
46.	Vermont (VT)	No	No						
47.	Virginia (VA)	No	No						
48.	Washington (WA)	No	No						
49.	West Virginia (WV)	No	No						
50.	Wisconsin (WI)	No	No						
51.	Wyoming (WY)	No	No						
52.	American Samoa (AS)	No	No						
53.	Guam (GU)	No	No						
54.	Puerto Rico (PR)	No	No						
55.	U.S. Virgin Islands (VI)	No	No						
56.	Northern Mariana Islands (MP)	No	No						
57.	Canada (CN)	No	No						
58.	Aggregate other alien (OT)	X X X	X X X						
59.	Subtotal	X X X	X X X						
60.	Reporting entity contributions for Employee Benefit Plans	X X X	X X X						
61.	Total (Direct Business)	X X X	(a) 1						
DETAILS OF WRITE-INS									
5801.		X X X	X X X						
5802.		X X X	X X X						
5803.		X X X	X X X						
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X	X X X						
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X	X X X						

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
2104.
2197. Summary of remaining write-ins for Line 21 (Lines 2104 through 2196)

E01 Schedule A Part 2 NONE

E01 Schedule A Part 3 NONE

E02 Schedule B Part 1 NONE

E02 Schedule B Part 2 NONE

E03 Schedule BA Part 1 NONE

E03 Schedule BA Part 2 NONE

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10
CUSIP Identification	Description	Foreign	Date Acquired	Name of Vendor	Number of Shares of Stock	Actual Cost	Par Value	Paid for Accrued Interest and Dividends	NAIC Designation or Market Indicator (a)
Bonds - U.S. Governments									
31359MH48	FNMA PRE .....	.....	04/05/2006	NORTHERN TRUST	X X X	991,530	1,000,000.00	6,478	1FE
31359MH48	FNMA PRE .....	.....	04/05/2006	NORTHERN TRUST	X X X	1,983,560	2,000,000.00	13,250	1FE
0399999 Subtotal - Bonds - U.S. Governments					X X X	2,975,090	3,000,000.00	19,728	X X X
Bonds - States, Territories and Possessions									
34074GAA2	FLORIDA HURRICANE CAT FUND .....	.....	06/15/2006	NORTHERN TRUST	X X X	1,534,965	1,500,000.00 .....	.....	1FE
880557N82	TENN STA SCH BD AUTH .....	.....	06/22/2006	NORTHERN TRUST	X X X	1,203,780	1,200,000.00	3,733	1FE
678841HS9	OKLAHOMA CITY SCH DIST .....	.....	06/05/2006	NORTHERN TRUST	X X X	1,881,015	1,780,000.00	5,192	1FE
499523UE6	KNOX CNTY EDL E TN HOSP .....	.....	06/28/2006	NORTHERN TRUST	X X X	910,800	920,000.00	460	2FE
401784VM2	GUILFORD CTY NC VAR RT .....	.....	06/12/2006	NORTHERN TRUST	X X X	1,990,000	1,990,000.00	2,188	1FE
1799999 Subtotal - Bonds - States, Territories and Possessions					X X X	7,520,560	7,390,000.00	11,573	X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)									
182521BE3	CLARKSVILLE TN NAT GAS .....	.....	06/23/2006	NORTHERN TRUST	X X X	1,033,040	1,000,000.00 .....	.....	1FE
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					X X X	1,033,040	1,000,000.00 .....	.....	X X X
6099997 Subtotal - Bonds - Part 3					X X X	11,528,690	11,390,000.00	31,301	X X X
6099998 Summary Item for Bonds Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X
6099999 Subtotal - Bonds					X X X	11,528,690	11,390,000.00	31,301	X X X
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X
7299998 Summary Item for Common Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X
7399999 Subtotal - Preferred and Common Stocks					X X X	X X X	X X X .....	.....	X X X
7499999 Total - Bonds, Preferred and Common Stocks					X X X	11,528,690	X X X	31,301	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stocks Sold, Redeemed, or Otherwise Disposed of
by the Company During the Current Quarter

1	2	3	4	5	6	7	8	9	10	Change in Book/Adjusted Carrying Value					16	17	18	19	20	21	22
CUSIP Identification	Description	F o r e i g n	Disposal Date	Name of Purchaser	Number of Shares of Stock	Consideration	Par Value	Actual Cost	Prior Year Book/ Adjusted Carrying Value	11	12	13	14	15	Book/ Adjusted Carrying Value at Disposal Date	Foreign Exchange Gain (Loss) on Disposal	Realized Gain (Loss) on Disposal	Total Gain (Loss) on Disposal	Bond Interest/ Stock Dividends Received During Year	Maturity Date	NAIC Designation or Market Indicator (a)
										Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Change in B./A.C.V. (11 + 12 - 13)	Total Foreign Exchange Change in B./A.C.V.							
Bonds - U.S. Governments																					
665278107	NORTHERN TRUST MM		06/30/2006	NORTHERN TRUST	X X X	327,642	327,642.00	327,642	327,642						327,642					06/30/2006	1FE
0399999 Subtotal - Bonds - U.S. Governments					X X X	327,642	327,642.00	327,642	327,642						327,642					X X X	X X X
Bonds - States, Territories and Possessions																					
401784VM2	GUILFORD CTY NC VAR RT		06/28/2006	NORTHERN TRUST	X X X	1,992,188	1,990,000.00	1,990,000							1,990,000				2,188	03/01/2025	1FE
1799999 Subtotal - Bonds - States, Territories and Possessions					X X X	1,992,188	1,990,000.00	1,990,000							1,990,000				2,188	X X X	X X X
Bonds - Industrial and Miscellaneous (Unaffiliated)																					
78387GAF0	SBC COMMUNICATIONS		05/02/2006	MATURED	X X X	800,000	800,000.00	863,184	806,318		(6,318)		(6,318)		800,000				23,000	05/02/2006	1
345397TX1	FORD MOTOR CO		05/03/2006	NORTHERN TRUST	X X X	701,750	700,000.00	739,851	677,229	38,704	(5,306)		33,398		710,627		(8,877)	(8,877)	13,018	01/25/2007	3
4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated)					X X X	1,501,750	1,500,000.00	1,603,035	1,483,547	38,704	(11,624)		27,080		1,510,627		(8,877)	(8,877)	36,018	X X X	X X X
6099997 Subtotal - Bonds - Part 4					X X X	3,821,580	3,817,642.00	3,920,677	1,811,189	38,704	(11,624)		27,080		3,828,269		(8,877)	(8,877)	38,207	X X X	X X X
6099998 Summary Item for Bonds Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
6099999 Subtotal - Bonds					X X X	3,821,580	3,817,642.00	3,920,677	1,811,189	38,704	(11,624)		27,080		3,828,269		(8,877)	(8,877)	38,207	X X X	X X X
6599998 Summary Item for Preferred Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7299998 Summary Item for Common Stock Bought and Sold This Quarter					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7399999 Subtotal - Preferred and Common Stocks					X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X
7499999 Total - Bonds, Preferred and Common Stocks					X X X	3,821,580	X X X	3,920,677	1,811,189	38,704	(11,624)		27,080		3,828,269		(8,877)	(8,877)	38,207	X X X	X X X

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues

E06 Schedule DB Part A Section 1 NONE

E06 Schedule DB Part B Section 1 NONE

E07 Schedule DB Part C Section 1 NONE

E07 Schedule DB Part D Section 1 NONE

SCHEDULE E - PART 1 - CASH

Month End Depository Balances

1			2	3	4	5	Book Balance at End of Each Month			9
							During Current Quarter			
Depository			Code	Rate of Interest	Amount of Interest Received During Current Quarter	Amount of Interest Accrued at Current Statement Date	6	7	8	*
							First Month	Second Month	Third Month	
open depositories										
Cash on Deposit	First Tennessee Bank .....	.....		5.000	10,185	.....	315,582	555,031	1,693,778	X X X
0199998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories			X X X	X X X ..						X X X
0199999 Totals - Open Depositories			X X X	X X X ..	10,185	.....	315,582	555,031	1,693,778	X X X
0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories			X X X	X X X ..						X X X
0299999 Totals - Suspended Depositories			X X X	X X X ..						X X X
0399999 Total Cash On Deposit			X X X	X X X ..	10,185	.....	315,582	555,031	1,693,778	X X X
0499999 Cash in Company's Office			X X X	X X X ..	X X X .	X X X ..				X X X
0599999 Total Cash			X X X	X X X ..	10,185	.....	315,582	555,031	1,693,778	X X X

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned End of Current Quarter

1	2	3	4	5	6	7	8	9
CUSIP Identification	Description	Code	Date Acquired	Rate of Interest	Maturity Date	Book/Adjusted Carrying Value	Amount of Interest Due & Accrued	Gross Investment Income
<div>NONE</div>								
0199999 Total Cash Equivalents

INDEX TO HEALTH QUARTERLY STATEMENT

Accounting Changes and Corrections of Errors; Q10, Note 2; Q11

Accounting Practices and Policies; Q5; Q10, Note 1

Admitted Assets; Q2

Bonds; Q2; Q6; Q11.1; QE04; QE05

Bonuses; Q3; Q4; Q8; Q9

Borrowed Funds; Q3; Q6

Business Combinations and Goodwill; Q10, Note 3

Capital Gains (Losses)

 Realized; Q4

 Unrealized; Q4; Q5

Capital Stock; Q2; Q10, Note 13

Capital Notes; Q6; Q10, Note 11

Caps; QE06

Cash; Q2; Q6; QE08

Cash Equivalents; Q2; Q6

Claims; Q3; Q8

Collars; QE07

Commissions; Q6

Common Stock; Q2; Q3; Q6; Q11.1

Cost Containment Expenses; Q4

Contingencies; Q10, Note 14

Counterparty Exposure; Q10, Note 8

Debt; Q10, Note 11

Deferred Compensation; Q10, Note 2

Derivative Instruments; Q10, Note 8; Q14; Q15; QE06; QE07

Discontinued Operations; Q10, Note 4

Electronic Data Processing Equipment; Q2

Encumbrances; Q2; QE01

Emergency Room; Q4

Expenses; Q3; Q4; Q6

Extinguishment of Liabilities; Q10, Note 17

Extraordinary Item; Q10, Note 21

Fee for Service; Q4

Foreign Exchange; Q2; Q3; Q5; Q12; QE01; QE02; QE04; QE05

Forwards; QE07

Furniture, Equipment and Supplies; Q2

Guaranty Fund; Q2; Q18

Health Care Receivables; Q2; Q9; Q10, Note 28

Hospital/Medical Benefits; Q4

Incentive Pools; Q3; Q4; Q9

Income; Q4; Q5

Income Taxes; Q2; Q3; Q4; Q5; Q10, Note 9

Incurred Claims and Claim Adjustment Expenses; Q10, Note 25

Intercompany Pooling; Q10, Note 26

Investment Income; Q10, Note 7

 Accrued; Q2

 Earned; Q2; Q14

 Received; Q6

Investments; Q10, Note 5; Q11.1

Joint Ventures; Q10, Note 6

Leases; Q10, Note 15

Limited Liability Company (LLC); Q10, Note 6

Limited Partnership; Q10, Note 6

Long-Term Invested Assets; QE03

Managing General Agents; Q10, Note 19

Member Months; Q4; Q7

Mortgage Loans; Q2; Q6; Q11.1; QE02

Non Admitted Assets; Q2; Q5; Q12

Off-Balance Sheet Risk; Q10, Note 16

Options; QE06

Organizational Chart; Q11; Q19

Out-of-Area; Q4

Outside Referrals; Q4

Parents, Subsidiaries and Affiliates; Q2; Q3; Q10, Note 10; Q11.1

Participating Policies; Q10, Note 29

Pharmaceutical Rebates; Q10, Note 28

Policyholder Dividends; Q6

Postemployment Benefits; Q10, Note 12

Postretirement Benefits; Q10, Note 12

Preferred Stock; Q2; Q3; Q6; Q11.1

Premium Deficiency Reserves; Q10, Note 30

Premiums and Considerations

**INDEX TO HEALTH
QUARTERLY STATEMENT**

Advance; Q3	
Collected; Q6	
Deferred; Q2	
Direct; Q7; Q18	
Earned; Q7	
Retrospective; Q2	
Uncollected; Q2	
Unearned; Q4; Q7	
Written; Q4; Q7	
Prescription Drugs; Q4	
Quasi Reorganizations; Q10, Note 13	
Real Estate; Q2; QE01	
Redetermination, Contracts Subject to; Q10, Note 24	
Reinsurance; Q10, Note 23	
Ceded; Q3; Q17	
Funds Held; Q2	
Payable; Q3	
Premiums; Q3	
Receivable; Q2; Q4	
Unauthorized; Q3; Q5	
Reserves	
Accident and Health; Q3; Q4	
Claim; Q3; Q5; Q8	
Life; Q3	
Retirement Plans; Q10, Note 12	
Retrospectively Rated Policies; Q10, Note 24	
Risk Revenue; Q4	
Salvage and Subrogation; Q10, Note 31	
September 11 Events; Q10, Note 20	
Servicing of Financial Assets; Q10, Note 17	
Short-Term Investments; Q2; Q6; Q11.1; Q14	
Stockholder Dividends; Q5	
Subsequent Events; Q10, Note 22	
Surplus; Q3; Q5; Q10, Note 13	
Surplus Notes; Q3; Q5; Q6	
Swaps; QE07	
Synthetic Assets; Q15; Q16	
Third Party Administrator; Q10, Note 19	
Treasury Stock; Q3; Q5	
Uninsured Accident and Health; Q2; Q3; Q10, Note 18	
Valuation Allowance; Q12; Q14	
Wash Sales; Q10, Note 17	
Withholds; Q4; Q8	

QUARTERLY DISKETTE TRANSMITTAL FORM AND CERTIFICATION
 (HEALTH)

Name of Insurer
 Preferred Health Partnership of Tennessee, Inc.

Date
 62-1546662
 NAIC Group #
 1253
 NAIC Company #
 95749

THIS FORM IS REQUIRED FOR ALL DISKETTE TRANSMITTALS, PLEASE PROVIDE ANY ADDITIONAL COMMENTS THAT MAY
 HELP TO IDENTIFY DISKETTE CONTENT

	First Quarter	Second Quarter	Third Quarter
A01. Is this the first time you've submitted this filing? (Y/N)	N/A	N/A	N/A
A02. Is this being re-filed at the request of the NAIC or a state insurance department? (Y/N) ..	N/A	N/A	N/A
A03. Is this being re-filed due to changes to the data originally filed? (Y/N)	N/A	N/A	N/A
(IF "YES" ENCLOSE HARD COPY PAGES FOR EACH CHANGE.)			
A04. Other? (Y/N)	N/A	N/A	N/A
(If "yes" attach an explanation.)			

B. Additional comments if necessary for clarification:

C. Diskette Contact Person: Melissa R Anderson

Phone: (865)670-7282-

Address: 1420 Centerpoint Blvd., Knoxville, TN 37932

D. Software Vendor: SunGard Insurance Systems, Inc.
 Version: 2006.Q.2

E. Have material validation failures been addressed in the explanation file? Yes[] No[X]

F. The undersigned hereby certifies, according to the best of his/her knowledge and belief: that the diskettes submitted with this form were prepared in compliance with the NAIC specifications, that the diskettes have been tested against the validations included with these specifications, and that quarterly statement information required to be contained on diskette is identical to the information in the 2006 Quarterly Statement blank filed with the insurer's domiciliary state insurance department. In addition, the diskettes have been scanned through a virus detection software package, and no viruses are present on the diskettes. The virus detection software used was (name):

(version number):

(Signed)

Type Name and Title:

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199999 Total individuals						
0299998 Premium due and unpaid not individually listed						
0299999 Total group		NONE				
0399999 Premiums due and unpaid from Medicare entities						
0499999 Premiums due and unpaid from Medicaid entities						
0599999 Accident and health premiums due and unpaid (Page 2, Line 12)						

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
0199998 Subtotal - Pharmaceutical Rebate Receivables - Not Individually Listed						
0199999 Subtotal - Pharmaceutical Rebate Receivables						
0299998 Subtotal - Claim Overpayment Receivables - Not Individually Listed						
0299999 Subtotal - Claim Overpayment Receivables						
0399998 Subtotal - Loans and Advances to Providers - Not Individually Listed						
0399999 Subtotal - Loans and Advances to Providers		NONE				
0499998 Subtotal - Capitation Arrangements Receivables - Not Individually Listed						
0499999 Subtotal - Capitation Arrangements Receivables						
0599998 Subtotal - Risk Sharing Receivables - Not Individually Listed						
0599999 Subtotal - Risk Sharing Receivables						
0699998 Subtotal - Other Receivables - Not Individually Listed						
0699999 Subtotal - Other Receivables						
0799999 Gross health care receivables						

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1-30 Days	3 31-60 Days	4 61-90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
Individually listed receivables Preferred Health Partnership Companies, Inc - Corp Rec Preferred Health Partnership Inc. - I/C FIT Rec Cariten Insurance Company Cariten Health Plan, Inc.							
		NONE					
0199999 - Total Individually Listed Receivables							
0299999 - Receivables not individually listed							
0399999 - Total gross amounts receivable							

Statement of Actuarial Opinion



Actuarial Certification Preferred Health Partnership of Tennessee, Inc. Actuarial Liabilities as of June 30, 2006

I, Mark S. Alhanti, am a consultant with the firm of Towers Perrin. I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries and meet the qualification standards for rendering opinions on Health Maintenance Organizations' and Health Plans' actuarial liabilities. I have been retained by Preferred Health Partnership of Tennessee, Inc. (the Company) to render an opinion on their June 30, 2006 actuarial liabilities.

I have undertaken an examination of the assumptions and methods used in developing the actuarial liabilities shown in the Company's June 30, 2006 annual statement prepared for filing with the State of Tennessee regulatory officials. These amounts are shown below:

Claims Unpaid (Page 3, Line 1)	\$0
Accrued Medical Incentive Pool and Bonus Payments (Page 3, Line 2)	\$0
Unpaid Claims Adjustment Expenses (Page 3, Line 3)	\$0
Aggregate Policy Reserves (Page 3, Line 4)	\$6,732,000
Aggregate Health Claim Reserves (Page 3, Line 7)	\$0
Experience Rated Refund	\$0
Actuarial Liabilities included in Page 3, Line 21	\$11,488,605

I have used the traditional development methodology in arriving at my estimate of the liability for claims unpaid at June 30, 2006. This method is based on accepted actuarial standards and sound actuarial principles.

I have reviewed Page 11 (Underwriting and Investment Exhibit – Part 2b). This schedule was prepared consistent with Section 5.14, *Follow Up Studies* contained in Actuarial Standard of Practice No. 5, Incurred Health Claim Liabilities.

It is my opinion that the actuarial liabilities shown above:

1. are in accordance with accepted actuarial standards, consistently applied and are fairly stated in accordance with sound actuarial principles,

Statement of Actuarial Opinion



**TOWERS
PERRIN**
HR SERVICES

Actuarial Certification
Preferred Health Partnership of Tennessee, Inc.
Actuarial Liabilities as of June 30, 2006
Page 2

2. are based on actuarial assumptions relevant to contract provisions and are appropriate to the purpose for which the statement was prepared,
3. meet the requirements of the laws of the State of Tennessee,
4. make good and sufficient provision for all unpaid claims and other actuarial liabilities of the Company under the terms of its contracts and arrangements,
5. are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the proceeding year-end, and
6. include appropriate provision for all actuarial items that ought to be established.

In arriving at my opinion I have relied on data prepared by Mr. Jeff Collake of the Company (see reliance letter attached). In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary.

I considered the need to do cash flow testing in forming my opinion. I determined that cash flow testing was not necessary due to the short-term nature of the liabilities and the insensitivity of the liabilities to economic conditions.

The actuarial methods, considerations and analyses used in forming my opinion are in conformance with the appropriate Standards of Practice and Compliance Guidelines as promulgated by the Actuarial Standards Board and the American Academy of Actuaries.



Mark S. Alhanti, FSA, MAAA

August 30, 2006

Date